

CORPORATE FINANCE (D.T.C.) LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

CORPORATE FINANCE (D.T.C.) LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements of Corporate Finance (D.T.C.) Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2021.

Principal activities and business review

The principal activities of the Company are the provision of deposit-taking and financial services.

The activities of the subsidiaries are set out in note 12 to the consolidated financial statements.

For the year 2021, profit before tax of the Group decreased by about HK\$183,085 (or 31%) to HK\$412,681 compared with that for 2020. This was mainly caused by decrease in interest income. As at 31 December 2021, the shareholders’ funds and total assets of the Group were HK\$103 million (2020: HK\$103 million) and HK\$328 million (2020: HK\$297 million) respectively. Asset quality remained healthy and no provision for impairment was necessary.

The Group’s business mainly relates to property mortgage and it amounted to HK\$145 million (over 88%) of our loan portfolio as at the year end. Competition in this market segment had been very keen and the interest rates chargeable to borrowers were similar to those offered by major banks in the market: between P-2% and P-2.5% p.a. Other facilities, such as revolving loans and share margin financing, were also provided to customers but the income from such services was not very significant.

Loans lent to the three largest borrowers totaled HK\$50 million at year end and their interest income accounted for 10% of total interest income arising from the mortgage loan portfolio. Regarding deposits from customers, over HK\$202 million (91% of total deposits) were made by related parties and it was their intention to keep the deposits with us for long term.

It is the Group’s policy to implement effective controls to manage the risks of our operations so as to conduct our business in a prudent manner. Detailed discussions are provided under note 3 to the financial statements. The Group also established compliance and internal audit functions so as to ensure that our operations comply with relevant rules and regulations, particularly the requirements of the Banking Ordinance and no material breach was reported for the year.

It is considered that our operations will not be significantly affected by our relationship with our major service providers as there are substitutes in the market. No formal environmental policies had been devised. Up to the date of this report, no important event that can have any material effect on the Group’s business has occurred after the year end.

Results and appropriations

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and comprehensive income on page 7.

The directors do not recommend the payment of a dividend (2020: nil).

Share capital

Details of the share capital of the Company are set out in note 16 of the financial statements.

CORPORATE FINANCE (D.T.C.) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors

The directors during the year and up to the date of this report were:

Hew Yew Wah
Mak Yau Kan
Mok Pui Hong
Tan Harry Chua
Michael Gonzales Tan
Lau Jenny Yee Kwan

There being no provision in the Company's Articles of Association for retirement by rotation, all remaining directors continue in office.

Directors of subsidiaries

The directors serving on the boards of the Company's subsidiaries during the year and up to the date of this report were:

Mak Yau Kan
Tan Lucio Chua
Ngo Mary Chin
Co-Finance Nominees Ltd
Corporate Finance (D.T.C.) Ltd

Directors' material interests in transactions, arrangement and contracts that are significant in relation to the Company's business

No transactions, arrangement and contracts of significance in relation to the Company's business to which the Company's subsidiaries, fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

Permitted indemnity provisions

At no time during the year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

CORPORATE FINANCE (D.T.C.) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Disclosure requirements

As the Company has total assets less provisions of less than HK\$1 billion and total deposits from customers of less than HK\$300 million, the Company is exempted from the application of the Banking (Disclosure) Rules under the Banking Ordinance.

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Mak Yan Kan

Hong Kong, 29 April 2022

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CORPORATE FINANCE (D.T.C.) LIMITED**
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Corporate Finance (D.T.C.) Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 7 to 39, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss and comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Report of The Directors on pages 1 to 39 and Supplementary Information to The Financial Statements on pages 40 to 44, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CORPORATE FINANCE (D.T.C.) LIMITED (CONTINUED)**
(incorporated in Hong Kong with limited liability)

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CORPORATE FINANCE (D.T.C.) LIMITED (CONTINUED)**
(incorporated in Hong Kong with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2022

CORPORATE FINANCE (D.T.C.) LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 HK\$	2020 HK\$
Interest income	5	5,295,267	5,707,176
Interest expense	6	(953,110)	(1,214,366)
Net interest income		4,342,157	4,492,810
Other revenues		276,196	193,086
		<u>4,618,353</u>	<u>4,685,896</u>
Staff costs	7	(2,887,034)	(2,814,369)
Depreciation	14	(39,000)	(4,445)
Write-off of plant and equipment		-	(3,757)
Other operating expenses	8	(1,279,638)	(1,267,559)
		<u>(4,205,672)</u>	<u>(4,090,130)</u>
Profit before taxation		412,681	595,766
Income tax expense	10	(44,397)	(57,635)
Total comprehensive income for the year		<u><u>368,284</u></u>	<u><u>538,131</u></u>

The notes on pages 11 to 39 are an integral part of these consolidated financial statements.

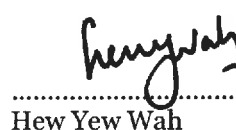
CORPORATE FINANCE (D.T.C.) LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 December 2021

	Note	2021 HK\$	2020 HK\$
ASSETS			
Non-current assets			
Plant and equipment	14	181,000	-
Loans and advances	11	135,184,482	114,293,979
Deferred tax assets	15	-	2,224
		<u>135,365,482</u>	<u>114,296,203</u>
Current assets			
Cash and short-term funds	18	40,682,407	34,941,613
Deposits with authorised institutions	19	121,347,478	132,992,584
Loans and advances	11	28,767,984	12,040,886
Other assets		260,946	1,112,636
Amounts due from the ultimate holding company	13	1,079,585	1,079,585
Current tax recoverable		-	162,652
		<u>192,138,400</u>	<u>182,329,956</u>
Total assets		<u><u>327,503,882</u></u>	<u><u>296,626,159</u></u>
EQUITY			
Share capital	16	25,000,000	25,000,000
Retained earnings		76,362,701	75,994,417
Regulatory reserve		1,655,600	1,655,600
Total equity		<u><u>103,018,301</u></u>	<u><u>102,650,017</u></u>
LIABILITIES			
Current liabilities			
Deposits from customers		222,535,647	192,624,136
Other liabilities		1,750,019	1,347,681
Deferred tax liabilities	15	28,096	-
Current tax payable		171,819	4,325
Total liabilities		<u><u>224,485,581</u></u>	<u><u>193,976,142</u></u>
Total equity and liabilities		<u><u>327,503,882</u></u>	<u><u>296,626,159</u></u>


Mak Yau Kan


Hew Yew Wah

The notes on pages 11 to 39 are an integral part of these consolidated financial statements.

CORPORATE FINANCE (D.T.C.) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2021**

	Share Capital HK\$	Retained earnings HK\$	Regulatory reserve ¹ HK\$	Total HK\$
Balance at 1 January 2020	25,000,000	75,456,286	1,655,600	102,111,886
Total comprehensive income for the year	-	538,131	-	538,131
Balance at 31 December 2020 and 1 January 2021	25,000,000	75,994,417	1,655,600	102,650,017
Total comprehensive income for the year	-	368,284	-	368,284
Balance at 31 December 2021	25,000,000	76,362,701	1,655,600	103,018,301

- ¹ As at 31 December 2021, HK\$1,655,600 (2020: HK\$1,655,600) was earmarked as the regulatory reserve from the retained earnings. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

CORPORATE FINANCE (D.T.C.) LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 HK\$	2020 HK\$
Cash flows from operating activities			
Cash used in operations	17	(17,537,137)	(45,434,469)
Interest received		5,295,267	5,707,176
Interest paid		(953,110)	(1,214,366)
Hong Kong profits tax refunded/(paid)		316,069	(292,643)
		<u>(12,878,911)</u>	<u>(41,234,302)</u>
Cash flows from investing activity			
Purchase of plant and equipment	14	(220,000)	-
		<u>(220,000)</u>	<u>-</u>
Net cash used in investing activity		<u>(220,000)</u>	<u>-</u>
Net decrease in cash and cash equivalents		(13,098,911)	(41,234,302)
Cash and cash equivalents at beginning of the year	18	153,175,238	194,409,540
Cash and cash equivalents at end of the year	18	<u>140,076,327</u>	<u>153,175,238</u>
Analysis of the balance of cash and cash equivalents	18	<u>140,076,327</u>	<u>153,175,238</u>

The notes on pages 11 to 39 are an integral part of these financial statements.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Corporate Finance (D.T.C.) Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the provision of deposit-taking and financial services in Hong Kong.

The Company is a limited liability company incorporated in Hong Kong and is an authorised institution under the Banking Ordinance (Cap.155). The address of its registered office is Unit 404A, 4/F, Fortress Tower, 250 King’s Road, Fortress Hill, Hong Kong.

The ultimate holding company is Dragon Holdings International Limited, a company incorporated in Bermuda.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(i) New and amended standards adopted by the Company:

There are no standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2021 that have had a material impact on the Company.

(ii) New standards and interpretation not yet adopted:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2021.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of profit or loss and comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment allowances (note 2(g)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Interest income and expense

Interest income and expense are recognised in the statement of consolidated profit or loss and comprehensive income for all instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(d) Loans and advances

Loans and advances, including cash and short term funds, placement with and advances to banks and other financial institutions and loans and advances to customers, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and advances are recognised when cash is advanced to the borrowers; they are carried at amortised cost using the effective interest method.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$" or "HKD"), which is both the functional and presentation currency of the Company and the subsidiaries.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and comprehensive income.

(f) Plant and equipment

Plant and equipment comprising furniture, fixtures and equipment and motor vehicle are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of consolidated profit or loss and comprehensive income during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives at 20% to 33 1/3% per annum.

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount, and are recognised in the consolidated statement of profit or loss and comprehensive income.

The assets' residual values and useful lives are reviewed, and adjusted if applicable, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(g)).

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(g) Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investment in the subsidiaries is required upon receiving dividends from this investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared.

(h) Employee benefits

(i) Pension obligations

The Group operates a mandatory provident fund and a defined contribution scheme in Hong Kong, the assets of which are held in separate trustee-administered funds. These pension schemes are generally funded by payments from employees and by the Group according to the provisions in the trust deeds.

The Group's contributions to both retirement schemes are expensed as incurred. The Group's contributions to the defined contribution scheme and the top up mandatory provident fund are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group's mandatory contributions to the mandatory provident fund are vested immediately.

(ii) Bonus plans

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within twelve months and the estimation is based on the amounts expected to be paid when they are settled.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call or short term with banks with original maturities of three months or less from the date of placing the deposits.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(j) Financial instruments

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI"). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

For debt instruments, subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group classifies its debt instruments is FVPL which do not meets the criteria for amortised cost or FVOCI. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

For equity instruments, the Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(j) Financial instruments (Continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss and comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(iv) Impairment

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition (stage 1), the loss allowance shall be measured at an amount equal to 12-month ECL. If the credit risk on the financial instrument has increased significantly since initial recognition (stage 2) the loss allowance shall be measured at an amount equal to the lifetime ECL. Unless justified otherwise, it is presumed that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due. It is normally considered that a financial instrument is credit-impaired (stage 3) when contractual payments are more than 90 days past due.

(k) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

3 Financial risk management

The Group's activities expose it to a variety of financial risk: credit risk, currency risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment allowances are made for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

3.1.1 Credit risk limit control and mitigation policies

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over business assets such as premises, cash deposits from the borrower or a third party; and
- Charges over financial instruments such as listed securities.

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). PD, EAD and LGD are defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for 12-month or lifetime and for each individual exposure or collective segment. These three components are multiplied together. This effectively calculates the ECL for 12-month or lifetime, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof. PD is driven by observed historical data and macroeconomic variables.

The 12-month and lifetime EADs are determined based on the expected payment profile and portfolios, which varies by product type.

Exposure to credit risk is also managed in part by obtaining corporate and personal guarantees. Most of the loans granted are fully secured.

The Group adopts Hong Kong Monetary Authority's 5-grade loan classification framework for monitoring the performance of its loans and advances.

The Group uses both internal data and market information (e.g. probability of default provided by credit agencies) for internal credit risk assessment.

No loans and advances is overdue for more than 30 days as at 31 December 2021 (2020: Nil).

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Credit risk (Continued)

3.1.1 Credit risk limit control and mitigation policies (Continued)

Loans and advances are further analysed as follows:

	Demand Loans HK\$	Share Financing HK\$	Revolving loans HK\$	Mortgages HK\$	Total loans and advances HK\$
As at 31 December 2021					
Grades					
Neither past due nor impaired	-	319,896	19,000,156	132,679,993	152,000,045
Past due but not impaired (within 30 days)	-	-	-	11,952,421	11,952,421
Total	-	319,896	19,000,156	144,632,414	163,952,466
As at 31 December 2020					
Grades					
Neither past due nor impaired	3,014,396	421,256	-	110,930,297	114,365,949
Past due but not impaired (within 30 days)	-	-	-	11,968,916	11,968,916
Total	3,014,396	421,256	-	122,899,213	126,334,865

The fair value of the collaterals for the past due loans is HK\$53,500,000 as at 31 December 2021 (2020: HK\$60,400,000).

3.1.2 Geographical concentration

The principal operations, assets, liabilities and credit commitment of the Group are all based in Hong Kong. Geographic sector risk concentrations within the customer loan portfolio were as follows:

	2021		2020	
	HK\$	%	HK\$	%
Hong Kong	163,952,466	100	126,334,865	100

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Credit risk (Continued)

3.1.3 Concentration of risks of assets with credit risk exposure

	2021 HK\$	2020 HK\$
Credit risk exposures relating to on-balance sheet assets are as follows:		
Placement and deposits with other authorised institutions	162,029,885	167,931,308
Loans and advances to customers:		
Mortgage loans to:		
- Individuals	131,172,003	108,325,799
- Small and medium size enterprises (SMEs)	13,460,411	14,573,414
Share margin financing	319,896	421,256
Revolving loans	19,000,156	-
Demand loans	-	3,014,396
Amounts due from the ultimate holding company	1,079,585	1,079,585
Other assets	260,946	1,112,636
Current tax recoverable	-	162,652
	<u>327,322,882</u>	<u>296,621,046</u>
Credit risk exposures relating to off-balance sheet items are as follows:		
Loan commitment	<u>17,737,285</u>	<u>8,181,250</u>

The above tables represent a worst case scenario of credit risk exposure to the Group at 31 December 2021 and 2020, without taking account of any collateral held, master netting agreements or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the bank could be required to pay if the guarantees are called upon. For loan commitments and other credit related liabilities that are irrevocable over the life of the respective facilities or revocable in the event of a significant adverse change, the maximum exposure to credit risk is disclosed as the full amount of the committed facilities.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Credit risk (Continued)

3.1.4 Credit quality of financial assets

Distribution of financial instruments to which the impairment requirements in HKFRS 9 as at 31 December 2021 and 2020 are applied, by credit quality and stage distribution:

As at 31 December 2021	Gross carrying amount HK\$	ECL allowances HK\$	Net carrying amount HK\$
Cash and short-term funds – Stage 1	40,682,407	-	40,682,407
Deposits with authorised institutions – Stage 1	121,347,478	-	121,347,478
Loans and advances – Stage 1	163,952,466	-	163,952,466
Other assets – Stage 1	260,946	-	260,946
Amounts due from the ultimate holding company – Stage 1	1,079,585	-	1,079,585
	<u>327,322,882</u>	<u>-</u>	<u>327,322,882</u>
As at 31 December 2020	Gross carrying amount HK\$	ECL allowances HK\$	Net carrying amount HK\$
Cash and short-term funds – Stage 1	34,941,613	-	34,941,613
Deposits with authorised institutions – Stage 1	132,992,584	-	132,992,584
Loans and advances – Stage 1	126,334,865	-	126,334,865
Other assets – Stage 1	1,112,636	-	1,112,636
Amounts due from the ultimate holding company – Stage 1	1,079,585	-	1,079,585
Current tax recoverable – Stage 1	162,652	-	162,652
	<u>296,623,935</u>	<u>-</u>	<u>296,623,935</u>

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Credit risk (Continued)

3.1.5 Credit risk mitigation, collateral and other credit enhancements

The Group uses a variety of techniques to reduce the credit risk arising from its lending activities. Enforceable legal documentation establishes the Group's direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements provided. The table below describes the nature of collateral held and their financial effect of financial asset:

Placement and deposits with other authorised institutions	These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these balances.
Loans and advances to customers – Mortgage loan	These exposures are secured by the residential, commercial and industrial properties. As at 31 December 2021, the collateral coverage of advances to customers is 100% (2020: 100%).
Share margin financing	Under the policy of the Group, collateral coverage ratio under share margin financing is 100%. When the collateral coverage ratio drops below the coverage requirement or the exposure amount above HKD100,000 of the collateral market value, margin call would be performed.
Instalment loans to a related party	These exposures are pledged with a deposit from another related party according to the agreement. As at 31 December 2021, the collateral coverage of advances to customers is 100% (2020: 100%).
Amounts due from the ultimate holding company	These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these balances.
Commitments	The components and nature of commitments is disclosed in note 20. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. Accordingly, these commitments do not expose the Group to significant credit risk. There are no commitments that are not unconditionally cancellable by the Group.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by major operational currencies, Hong Kong dollars ("HKD"), United States dollars ("USD") and Canadian dollars ("CAD").

Concentration of assets, liabilities and off-balance sheet items

At 31 December 2021

	HKD HK\$	USD HK\$	CAD HK\$	Total HK\$
Assets				
Cash and short-term funds	25,402,493	15,276,456	3,458	40,682,407
Deposits with authorised institutions	-	99,146,970	22,200,508	121,347,478
Loans and advances	163,952,466	-	-	163,952,466
Amounts due from the ultimate holding company	1,079,585	-	-	1,079,585
Plant and equipment	181,000	-	-	181,000
Other assets	260,946	-	-	260,946
Current tax recoverable	-	-	-	-
Deferred tax assets	-	-	-	-
Total assets	190,876,490	114,423,426	22,203,966	327,503,882
Liabilities				
Deposits from customers	83,481,560	116,860,398	22,193,689	222,535,647
Other liabilities	1,750,019	-	-	1,750,019
Current tax payable	171,819	-	-	171,819
Deferred tax liabilities	28,096	-	-	28,096
Total liabilities	85,431,494	116,860,398	22,193,689	224,485,581
Net on-balance sheet position	105,444,996	(2,436,972)	10,277	103,018,301
Credit commitments	17,737,285	-	-	17,737,285

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Currency risk (Continued)

At 31 December 2020

	HKD HK\$	USD HK\$	CAD HK\$	Total HK\$
Assets				
Cash and short-term funds	32,375,271	2,563,456	2,886	34,941,613
Deposits with authorised institutions	-	110,767,934	22,224,650	132,992,584
Loans and advances	126,334,865	-	-	126,334,865
Amounts due from the ultimate holding company	1,079,585	-	-	1,079,585
Plant and equipment	-	-	-	-
Other assets	1,112,636	-	-	1,112,636
Current tax recoverable	162,652	-	-	162,652
Deferred tax assets	2,224	-	-	2,224
Total assets	161,067,233	113,331,390	22,227,536	296,626,159
Liabilities				
Deposits from customers				
Other liabilities	56,872,257	113,694,084	22,057,795	192,624,136
Current tax payable	1,347,681	-	-	1,347,681
	4,325	-	-	4,325
Total liabilities	58,224,263	113,694,084	22,057,795	193,976,142
Net on-balance sheet position	102,842,970	(362,694)	169,741	102,650,017
Credit commitments	8,181,250	-	-	8,181,250

3.3 Interest rate risk

Interest sensitivity of assets and liabilities - repricing analysis

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily.

At 31 December 2021, if HKD market interest rates had been 1% p.a. higher/lower with other variables held constant, the increase/decrease in profit for the year would amount to HK\$2,966,973 (2020: HK\$2,684,030), mainly due to higher/lower net interest income earned on short term bank deposits, money market placement and loans and advances to customers.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Interest rate risk (Continued)

The tables below summarise the Group's exposure to interest rate risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Expected repricing and maturity dates do not differ significantly from the contract dates.

At 31 December 2021

	Up to 1 month HK\$	1-3 months HK\$	3-12 months HK\$	Non- interest bearing HK\$	Total HK\$
Assets					
Cash and short-term funds	30,797,647	-	-	9,884,760	40,682,407
Deposits with authorised institutions	-	99,393,920	21,953,558	-	121,347,478
Loans and advances	163,952,466	-	-	-	163,952,466
Amounts due from the ultimate holding company	-	-	-	1,079,585	1,079,585
Plant and equipment	-	-	-	181,000	181,000
Other assets	-	-	-	260,946	260,946
Total assets	194,750,113	99,393,920	21,953,558	11,406,291	327,503,882
Liabilities					
Deposits from customers	10,131,717	140,046,963	71,348,529	1,008,438	222,535,647
Other liabilities	-	-	-	1,750,019	1,750,019
Current tax payable	-	-	-	171,819	171,819
Deferred tax liabilities	-	-	-	28,096	28,096
Total liabilities	10,131,717	140,046,963	71,348,529	2,958,372	224,485,581
Total interest sensitivity gap	184,618,396	(40,653,043)	(49,394,971)	8,447,919	103,018,301

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Interest rate risk (Continued)

At 31 December 2020

	Up to 1 month HK\$	1-3 months HK\$	3-12 months HK\$	Non- interest bearing HK\$	Total HK\$
Assets					
Cash and short-term funds	34,233,653	-	-	707,960	34,941,613
Deposits with authorised institutions	-	118,233,627	14,758,957	-	132,992,584
Loans and advances	126,334,865	-	-	-	126,334,865
Amounts due from the ultimate holding company	-	-	-	1,079,585	1,079,585
Plant and equipment	-	-	-	-	-
Other assets	-	-	-	1,112,636	1,112,636
Current tax recoverable	-	-	-	162,652	162,652
Deferred tax assets	-	-	-	2,224	2,224
Total assets	160,568,518	118,233,627	14,758,957	3,065,057	296,626,159
Liabilities					
Deposits from customers	935,738	112,637,895	77,921,006	1,129,497	192,624,136
Other liabilities	-	-	-	1,347,681	1,347,681
Current tax payable	-	-	-	4,325	4,325
Total liabilities	935,738	112,637,895	77,921,006	2,481,503	193,976,142
Total interest sensitivity gap	159,632,780	5,595,732	(63,162,049)	583,554	102,650,017

There continues to be a major transition in progress in the global financial markets with respect to the replacement of Interbank Offered Rates ("IBORs"), including LIBOR, and certain other rates or indices that serve as "benchmarks". Such benchmarks have been used extensively across the global financial markets but are not used in the normal course of operations by the Group. At the end of 2021, the global financial markets transitioned away from new use all LIBOR settings (except for certain USD LIBOR settings) other than in regulatory approved circumstances. However, there continues to be risks and challenges associated with the transition from IBORs that may result in consequences that cannot be fully anticipated, which expose the Group to various financial, operational, supervisory, conduct and legal risks, which the Company continues to monitor.

In response to the various discussed above, the Group made an assessment to the impact of the IBOR transition and that as at 31 December 2021, and there are no loans and deposits carried interest with reference to IBORs.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Group is exposed to daily calls on its available cash resources from maturity deposits, loan draw-downs and from margin clients on surplus money in their margin accounts. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group's liquidity management process, as carried out within the Group and monitored by designated staff, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.4 Liquidity risk (Continued)

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

At 31 December 2021

	Up to 1 month HK\$	1-3 months HK\$	3-12 months HK\$	1-5 years HK\$	Over 5 years HK\$	No stated maturity HK\$	Total HK\$
Assets							
Cash and short-term funds	40,682,407	-	-	-	-	-	40,682,407
Deposits with authorised institutions	-	99,393,920	21,953,558	-	-	-	121,347,478
Loans and advances	20,322,725	1,551,967	6,893,292	37,947,661	97,236,821	-	163,952,466
Amounts due from the ultimate holding company	1,079,585	-	-	-	-	-	1,079,585
Plant and equipment	-	-	-	-	-	181,000	181,000
Other assets	-	-	-	-	-	260,946	260,946
Total assets	62,084,717	100,945,887	28,846,850	37,947,661	97,236,821	441,946	327,503,882
Liabilities							
Deposits from customers	10,131,717	140,046,963	71,348,529	-	-	1,008,438	222,535,647
Other liabilities	-	-	-	-	-	1,750,019	1,750,019
Deferred income tax liabilities	-	-	-	-	-	28,096	28,096
Current tax payable	-	-	171,819	-	-	-	171,819
Total liabilities	10,131,717	140,046,963	71,520,348	-	-	2,786,553	224,485,581
Net liquidity gap	51,953,000	(39,101,076)	(42,673,498)	37,947,661	97,236,821	(2,344,607)	103,018,301

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.4 Liquidity risk (Continued)

At 31 December 2020

	Up to 1 month HK\$	1-3 months HK\$	3-12 months HK\$	1-5 years HK\$	Over 5 years HK\$	No stated maturity HK\$	Total HK\$
Assets							
Cash and short-term funds	34,941,613	-	-	-	-	-	34,941,613
Deposits with authorised institutions	-	118,233,627	14,758,957	-	-	-	132,992,584
Loans and advances	4,343,071	1,385,711	6,312,104	33,775,895	80,518,084	-	126,334,865
Amounts due from the ultimate holding company	1,079,585	-	-	-	-	-	1,079,585
Plant and equipment	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	1,112,636	1,112,636
Current tax recoverable	-	-	-	-	-	162,652	162,652
Deferred tax assets	-	-	-	-	-	2,224	2,224
Total assets	40,364,269	119,619,338	21,071,061	33,775,895	80,518,084	1,277,512	296,626,159
Liabilities							
Deposits from customers	935,738	112,637,895	77,921,006	-	-	1,129,497	192,624,136
Other liabilities	-	-	-	-	-	1,347,681	1,347,681
Current tax payable	-	-	4,325	-	-	-	4,325
Total liabilities	935,738	112,637,895	77,925,331	-	-	2,477,178	193,976,142
Net liquidity gap	39,428,531	6,981,443	(56,854,270)	33,775,895	80,518,084	(1,199,666)	102,650,017

3.4.1 Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group that will be settled on gross basis by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

At 31 December 2021

	Up to 1 month HK\$	1-3 months HK\$	3-12 months HK\$	Total HK\$
Liabilities				
Deposits from customers	7,457,780	140,055,449	71,359,895	218,873,124
Other liabilities	1,750,019	-	-	1,750,019
Current tax payable	171,819	-	-	171,819
Deferred tax liabilities	28,096	-	-	28,096
Total liabilities	9,407,714	140,055,449	71,359,895	220,823,058

CORPORATE FINANCE (D.T.C.) LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3 Financial risk management (Continued)****3.4 Liquidity risk (Continued)****3.4.1 Undiscounted cash flows by contractual maturities (Continued)**

At 31 December 2020

	Up to 1 month HK\$	1-3 months HK\$	3-12 months HK\$	Total HK\$
Liabilities				
Deposits from customers	1,356,994	109,847,445	77,932,078	189,136,517
Other liabilities	1,347,681	-	-	1,347,681
Current tax payable	4,325	-	-	4,325
Total liabilities	<u>2,709,000</u>	<u>109,847,445</u>	<u>77,932,078</u>	<u>190,488,523</u>

3.5 Fair values of financial assets and liabilities

The fair values of financial assets and liabilities are estimated as follows:

(a) Balances and deposits with authorised institutions

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed-rate deposits, which are normally less than one year, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore, the fair value of the deposits is approximately equal to its carrying value.

(b) Loans and advances

Loans and advances are stated net of allowances for ECL. All except a very insignificant portion of loans and advances bear interest at a fixed rate. Therefore, the carrying value of loans and advances is a reasonable estimate of fair value.

(c) Deposits from customers

The estimated fair value of fixed interest-bearing deposits from customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As they are normally less than one year, their fair values are approximately equal to their carrying values.

(d) Other assets and other liabilities

The estimated fair value of other assets and other liabilities, which are normally non-interest bearing balances, is their carrying value.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.6 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders.

The Hong Kong Banking Ordinance requires each authorised institution to maintain a ratio of total regulatory capital to the risk-weighted assets (the capital adequacy ratio) at or above the minimum of 8%.

During the year ended 31 December 2021, the Company complied with all externally imposed capital requirements by the HKMA.

4 Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment allowances on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a semi-annual basis. In determining whether an allowance for ECL should be recorded in the consolidated statement of profit or loss and comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. In estimating the future cash flows, management uses professional valuer's valuation to assess the market value of properties mortgaged to the Company. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in the assumptions used would affect the reported allowances on loans and advances.

(b) Income taxes

The Company is mainly subject to income taxes in Hong Kong. There may be many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Interest income

	2021 HK\$	2020 HK\$
Interest income from		
- Cash and short term funds and deposits with authorised institutions	1,142,437	2,314,088
- Loans and receivables	4,152,830	3,393,088
	<u>5,295,267</u>	<u>5,707,176</u>

6 Interest expense

	2021 HK\$	2020 HK\$
Interest expense on deposits accepted wholly repayable within five years	<u>953,110</u>	<u>1,214,366</u>

7 Staff costs

	2021 HK\$	2020 HK\$
Salaries and allowances	2,569,596	2,562,043
Pension costs – defined contribution schemes	317,438	252,326
	<u>2,887,034</u>	<u>2,814,369</u>

Staff costs include directors' emoluments (note 9).

8 Other operating expenses

	2021 HK\$	2020 HK\$
Service fee on office premises	162,000	177,450
Registration fee	117,970	118,158
Auditor's remuneration	381,000	381,000
Postage, printing and subscription fees	199,023	180,428
Professional fee	63,983	68,352
Credit information	75,886	50,224
Sundry expenses	279,776	291,947
	<u>1,279,638</u>	<u>1,267,559</u>

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2020 HK\$'000	2021 HK\$'000
Directors' fees	260	120
Salaries, allowances and benefits in kind	-	-
Retirement benefits	-	-
Share-based compensation	-	-
	<u>260</u>	<u>120</u>

All remuneration received by the director from the company are for their services in connection with the management of the affairs of the company.

No consideration was provided to or receivable by third parties for making available directors' services. There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the company was or is a party that subsisted at the end of the period or at any time during the period.

There was no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

10 Income tax expense

The Hong Kong Government has enacted a two tiered profits tax rates regime whereby the first HK\$2,000,000 of taxable profits are taxed at 8.25% with the remaining at 16.5%, effective from the 2021 accounting period.

The amount of taxation charged to the consolidated statement of profit or loss and comprehensive income represents:

	2021 HK\$	2020 HK\$
Hong Kong profits tax		
Current tax on profits for the year	14,077	58,378
Deferred taxation (note 15)	30,320	(743)
	<u>44,397</u>	<u>57,635</u>

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense (Continued)

Reconciliation between tax charge and accounting profit at Hong Kong tax rates is as follows:

	2021 HK\$	2020 HK\$
Profit before taxation	412,681	595,766
Calculated at a taxation rate of 16.5% (2020: 16.5%)	68,092	98,301
Others	(23,695)	(40,666)
Tax expense	44,397	57,635

11 Loans and advances

No impairment loss on loans advances has been made for the year (2020: Nil). Loans and advances are assessed individually for credit risk assessment and no account is more than 30 days past due (2020: Nil).

12 Investments in subsidiaries

	2021 HK\$	2020 HK\$
Unlisted shares, at cost	2,002	2,002

The details of the subsidiaries at 31 December 2021 and 2020 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Particulars of issued share capital</u>
Co-Finance Nominees Limited	Hong Kong	Provision of nominee services	100 ordinary shares
Splendid Nominees Limited	Hong Kong	Provision of nominee services	100 ordinary shares
Corporate Services Limited	Hong Kong	Provision of corporate services	2 ordinary shares

All subsidiaries are wholly-owned by the Company directly.

13 Amounts due from the ultimate holding company

The amounts due are unsecured, interest free and repayable on demand.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Plant and equipment

	Furniture, fixtures and equipment HK\$	Motor vehicle HK\$	Total HK\$
Cost as at 1 January 2020	2,562,193	285,560	2,847,753
Addition	-	-	-
Disposal	(10,480)	-	(10,480)
Cost as at 31 December 2020	<u>2,551,713</u>	<u>285,560</u>	<u>2,837,273</u>
Accumulated depreciation as at 1 January 2020	(2,553,991)	(285,560)	(2,839,551)
Depreciation charge	(4,445)	-	(4,445)
Disposal	6,723	-	6,723
Accumulated depreciation as at 31 December 2020	<u>(2,551,713)</u>	<u>(285,560)</u>	<u>(2,837,273)</u>
Net book amount as at 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>
	Furniture, fixtures and equipment HK\$	Motor Vehicle HK\$	Total HK\$
Cost as at 1 January 2021	2,551,713	285,560	2,837,273
Addition	220,000	-	220,000
Disposal	-	-	-
Cost as at 31 December 2021	<u>2,771,713</u>	<u>285,560</u>	<u>3,057,273</u>
Accumulated depreciation as at 1 January 2021	(2,551,713)	(285,560)	(2,837,273)
Depreciation charge	(39,000)	-	(39,000)
Disposal	-	-	-
Accumulated depreciation as at 31 December 2021	<u>(2,590,713)</u>	<u>(285,560)</u>	<u>(2,876,273)</u>
Net book amount as at 31 December 2021	<u>181,000</u>	<u>-</u>	<u>181,000</u>

CORPORATE FINANCE (D.T.C.) LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****15 Deferred taxation**

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2020: 16.5%). The movement on deferred income tax is as follows:

	Temporary difference for depreciation HK\$
At 1 January 2020	(1,481)
Debited to the profit or loss and comprehensive income	(743)
At 31 December 2020	(2,224)
Credited to the profit or loss and comprehensive income	30,320
At 31 December 2021	28,096

16 Share capital

	2021 HK\$	2020 HK\$
Issued and fully paid: 2,500,000 ordinary shares	25,000,000	25,000,000

There has been no movement in share capital for the years ended 31 December 2021 and 2020.

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Cash used in operations

	2021 HK\$	2020 HK\$
Profit before taxation	412,681	595,766
Adjustment for:		
Depreciation	39,000	4,445
Write-off of plant and equipment	-	3,757
Interest income	(5,295,267)	(5,707,176)
Interest expense	953,110	1,214,366
	<u>(3,890,476)</u>	<u>(3,888,842)</u>
Changes in working capital:		
Changes in deposits with authorised institutions with original maturity over three months	(7,194,599)	(14,758,959)
Changes in loans and advances	(37,617,601)	(3,957,978)
Changes in other assets	851,690	(854,864)
Changes in deposits from customers	29,911,511	(22,344,913)
Changes in other liabilities	402,338	371,087
	<u>(17,537,137)</u>	<u>(45,434,469)</u>

18 Cash and short term funds

	2021 HK\$	2020 HK\$
Cash and short term funds	40,682,407	22,954,998
Deposits with authorised institutions maturing less than one month	-	11,986,615
	<u>40,682,407</u>	<u>34,941,613</u>

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprises of the following balances with less than three months maturity from the date of acquisition.

	2021 HK\$	2020 HK\$
Cash and short term funds	40,682,407	22,954,998
Deposits with authorised institutions maturing with original maturity within three months	99,393,920	130,220,240
	<u>140,076,327</u>	<u>153,175,238</u>

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Deposits with authorised institutions

	2021 HK\$	2020 HK\$
Deposits with authorised institutions maturing between one and twelve months	<u>121,347,478</u>	<u>132,992,584</u>

20 Off balance sheet exposure

As at 31 December 2021

	Under 1 year	Total
Loan commitments	<u>17,737,285</u>	<u>17,737,285</u>

As at 31 December 2020

	Under 1 year	Total
Loan commitments	<u>8,181,250</u>	<u>8,181,250</u>

21 Related party transactions

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

The following is a summary of significant related party transactions, in addition to those disclosed in notes 12 and 13, which were carried out in the normal course of business:

	2021 HK\$	2020 HK\$
Service fee paid to a related company (Note i)	162,000	177,450
Interest expenses payable to related parties (Note ii)	67,980	218,388
Deposits received from related parties (Note ii)	<u>202,764,082</u>	<u>169,400,712</u>

Note:

- (i) The Group has entered into a service agreement with a related company to obtain the license to use the office premises at market rates commencing on 14 April 2020.
- (ii) Interest expenses represented interest paid on deposits received from a shareholder of the ultimate holding company and close relatives of that shareholder at normal commercial terms.

CORPORATE FINANCE (D.T.C.) LIMITED

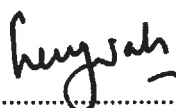
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2021	2020
	HK\$	HK\$
ASSETS		
Non-current assets		
Plant and equipment	181,000	-
Loans and advances	135,184,482	114,293,979
Investments in subsidiaries	2,002	2,002
Deferred tax assets	-	2,224
	<u>135,367,484</u>	<u>114,298,205</u>
Current assets		
Cash and short-term funds	40,584,131	34,837,685
Deposits with authorised institutions	121,347,478	132,992,584
Loans and advances	28,767,984	12,040,886
Other assets	224,445	1,087,730
Current tax recoverable	-	162,652
	<u>190,924,038</u>	<u>181,121,537</u>
Total assets	<u><u>326,291,522</u></u>	<u><u>295,419,742</u></u>
EQUITY		
Share capital	25,000,000	25,000,000
Retained earnings (Note (a))	75,190,557	74,833,697
Regulatory reserve (Note (a))	1,655,600	1,655,600
Total equity	<u>101,846,157</u>	<u>101,489,297</u>
LIABILITIES		
Current liabilities		
Deposits from customers	222,535,647	192,624,136
Other liabilities	1,706,644	1,299,347
Amounts due to subsidiaries	4,213	6,962
Current tax payable	170,765	-
Deferred tax liabilities	28,096	-
Total liabilities	<u>224,445,365</u>	<u>193,930,445</u>
Total equity and liabilities	<u><u>326,291,522</u></u>	<u><u>295,419,742</u></u>


Mak Yau Kan


Hew Yew Wah

CORPORATE FINANCE (D.T.C.) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Balance sheet and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Retained earnings HK\$	Regulatory reserve HK\$
At 1 January 2020	74,298,022	1,655,600
Total comprehensive income for the year	535,675	-
At 31 December 2020	<u>74,833,697</u>	<u>1,655,600</u>
At 1 January 2021	74,833,697	1,655,600
Total comprehensive income for the year	356,860	-
At 31 December 2021	<u>75,190,557</u>	<u>1,655,600</u>

23 Subsequent events

There were no material events after the statements of financial position that have a bearing on the understanding of these financial statements.

24 Approval of financial statements

The consolidated financial statements were approved by the board of directors on 29 April 2022.

CORPORATE FINANCE (D.T.C.) LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS DISCLOSURE ON REMUNERATION POLICY AND CORPORATE GOVERNANCE POLICY FOR THE YEAR ENDED 31 DECEMBER 2021

I) Remuneration policy

The Remuneration Committee

The Remuneration Committee is comprised of the following three members:

Mr Tan Harry Chua	Chairman of the Committee and Board of Directors
Mr Mak Yan Kan	Chief Executive and Director
Mr Mok Pui Hong	Non-executive Director

The Remuneration Committee reports to the Board of Directors and its functions include:

- (1) formulation of the Company's Remuneration Policy for the Board's approval and to ensure that the policy is consistent with the Guideline issued by the Hong Kong Monetary Authority and any other regulatory requirements;
- (2) the formulation and implementation of staff incentive scheme for promotion of the Company's business;
- (3) to review the Company's remuneration system annually so as to ensure that it functions to encourage employee behaviour that supports the Company's risk tolerance, risk management framework and long-term financial soundness and to report any material issues to the Board and to make recommendations on such issues;
- (4) making recommendations to the Board on determination of the remuneration packages for staff (excluding senior management and key personnel whose salaries are not charged to the Company). Senior Management (total 5 members) means any directors, the Chief Executive and the Alternate Chief Executives while key personnel (total 2 members) means staff member with Manager Grade or above but excluding the senior management. Employees responsible for risk control functions are members of the senior management and key personnel and their remunerations are not linked to the performance of the businesses they oversee. Committee members and directors are not involved in making decisions in respect of their own remuneration.

The Remuneration Policy was reviewed once during the year and no material change has been made. Implementation of the remuneration system was also reviewed at the meeting. No external consultants' advice has been sought in relation to the governance structure of the remuneration system.

Design and Implementation of Remuneration System

It is our Company's objective to compensate our staff fairly but not excessively for their contributions to the Company's operations having regard to individual staff member's qualification, experience, performance and other relevant factors such as the salaries of similar personnel available in the job market and inflation rate in Hong Kong. The remuneration package (and any subsequent adjustment) offered to individual staff member, except for the senior management and key personnel as mentioned in (4) above, is approved by the Remuneration Committee. The performance of staff is evaluated by their immediate supervisors or the Department Head while Department Heads' performance is assessed by the Chief Executive.

All staff members other than the senior management and key personnel are remunerated with fixed monthly salary with double pay and may be offered discretionary annual bonus. No variable remuneration is offered to our staff. The aggregate amount of the bonus offered, if any, mainly depends on the Company's results for the financial year. However, no discretionary annual bonus was paid by the Company to any such staff members during 2021 (2020: Nil). Risk factors are not a major consideration in determination of staff's remuneration due to the low risk of our business.

CORPORATE FINANCE (D.T.C.) LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS DISCLOSURE ON REMUNERATION POLICY AND CORPORATE GOVERNANCE POLICY FOR THE YEAR ENDED 31 DECEMBER 2021

Aggregate Quantitative Information on Remuneration for the Senior Management and Key Personnel

Salaries and other remunerations for the Company's senior management and key personnel, excluding those borne by a fellow subsidiary, charged to the Company's account during 2021:

1.	<u>Amounts of remuneration for the senior management / key personnel</u>	
	Fixed remuneration	HK\$1,873,122 (2020: HK\$926,729)
	Variable remuneration	HK\$Nil (2020: HK\$Nil)
2.	<u>Amounts of deferred remuneration for the senior management / key personnel</u>	
	Vested	HK\$Nil (2020: HK\$Nil)
	Unvested	HK\$Nil (2020: HK\$Nil)
3.	<u>Amounts of deferred remuneration awarded for the senior management / key personnel during the year</u>	
	Paid out	HK\$Nil (2020: HK\$Nil)
	Reduced through performance adjustments	HK\$Nil (2020: HK\$Nil)
4.	<u>Amounts of guaranteed bonuses to senior management / key personnel</u>	
	Awarded	HK\$Nil (2020: HK\$Nil)

II) Corporate Governance Policy

Corporate Finance (D.T.C.) Limited ("the Company") is committed to implementing effective corporate governance in managing its business in a controlled and prudent manner with a view to safeguarding the interests of its shareholders, customers, employees and other stakeholders. Corporate governance is concerned with the manner in which the Company's business and affairs are directed and managed. It also provides the structure through which the Company's corporate objectives are set, the strategy for attaining those objectives is determined and the performance of the Company is monitored.

Board of Directors

(a) Terms of Reference

The Board of Directors is ultimately responsible for the operations and the management of the Company and thus plays a vital role in implementing and maintaining effective corporate governance of the Company. In discharging its responsibilities the Board should take into account the legitimate interest of the shareholders, customers, employees and other relevant stakeholders.

The key responsibilities of the Board include:

- (i) setting and overseeing the objectives of the Company and the strategies for achieving those objectives;
- (ii) risk governance;
- (iii) appointments and oversight of senior management;
- (iv) setting corporate values and standards;
- (v) setting a suitable and transparent corporate structure;
- (vi) ensuring effective audit functions;
- (vii) ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Company.

CORPORATE FINANCE (D.T.C.) LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS DISCLOSURE ON REMUNERATION POLICY AND CORPORATE GOVERNANCE POLICY FOR THE YEAR ENDED 31 DECEMBER 2021

Chairperson and Chief Executive

The role of the Chairperson of the Board of Directors and Chief Executive of the Company are separate, with a clear division of responsibilities. The Chairperson of the Board is a non-executive Director who is responsible for the leadership and effective running of the Board. He/She should possess the requisite experience, competencies and personal qualities to fulfill these responsibilities.

The Chief Executive is an Executive Director who ensures implementation of the strategy and policy as established by the Board. The Chief Executive is responsible for the management and day-to-day running of the Company's business and operations.

Composition of the Board of Directors

The Board of Directors currently comprises six members of whom two are Executive Directors, three are Non-executive Directors and one Independent Non-Executive Director.

The composition of the Board ensures the objectivity of its decision-making process and the impartiality of its oversight of the Management.

Members of the Board possess appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge their responsibilities effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to the Company's business activities and the associated risks so that effective governance and oversight can be ensured.

Board meetings are normally held quarterly to monitor the financial condition and performance of the Company. Regular matters to be discussed / reviewed at Board Meetings include the Company's financial position and performance, review of loan portfolio, reports on large credit exposures and connected lendings, review and approve the Company's policies and procedures for managing its business activities. Members may also include other matters concerning the Company's operation in the meeting agenda.

Delegation by the Board

Specialised Committees

The Board has set up the following Committees to assist it in carrying out its responsibilities:

(a) Credit Committee

The Credit Committee is responsible for approval of loan applications in accordance with the criteria set out in the Lending Policy approved by the Board. The framework for managing credit risk, including the risk appetite and lending limits are incorporated in the Lending Policy.

The Credit Committee is also responsible for credit risk management; loan performance is also reviewed at Credit Committee meetings. Meetings of the Credit Committee are held twice every month.

CORPORATE FINANCE (D.T.C.) LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS DISCLOSURE ON REMUNERATION POLICY AND CORPORATE GOVERNANCE POLICY FOR THE YEAR ENDED 31 DECEMBER 2021

(b) Audit Committee

The Audit Committee is chaired by the INED and it is mainly responsible for the oversight of matters relating to financial reporting and internal controls, in particular, reviewing:

- (1) the effectiveness of the financial reporting process, and
- (2) the effectiveness of internal audit and the external audit process,

and to report and make recommendations in connection with the above matters to the Company's Board's of Directors.

Meetings of the Audit Committee are normally held at least three times a year.

(c) Remuneration Committee

The Remuneration Committee reports to the Board of Directors and its major functions include:

- (1) formulation of the Company's Remuneration Policy for the Board's approval;
- (2) the formulation and implementation of staff incentive scheme for promotion of the Company's business;
- (3) to review the Company's remuneration system annually; and
- (4) making recommendations to the Board on determination of the remuneration packages for senior management.

(d) Management Committee

The Management Committee is composed of major managerial and senior staff including the heads of various departments. The main functions include discussing and reviewing matters concerning our business operations so as to facilitate co-ordination of the work of different departments, preparation of financial budget for the Board's approval and to carry out operational plans to meet the targets, to facilitate the generation and exchange of information within the Company so that a transparent corporate culture can be enhanced. Other matters such as positions of the Company's assets and liabilities, compliance test results on our internal controls are also reviewed and discussed at the meeting.

Meeting of the Management Committee is normally held every week.

Setting Corporate Values and Standards with regard to the Company's Strategy

It is the Company's strategy that its business should be expanded through organic growth rather than promoting business aggressively. Therefore, we always take a prudent attitude towards managing our operation risk, and aim at providing high quality financial services to our customers. Our business activities should be conducted with integrity, prudence and in a professional manner. The Board recognises the importance of building up and maintaining a business environment that promotes ethical and responsible behaviour in order to achieve our objective.

CORPORATE FINANCE (D.T.C.) LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS DISCLOSURE ON REMUNERATION POLICY AND CORPORATE GOVERNANCE POLICY FOR THE YEAR ENDED 31 DECEMBER 2021

Code of Conduct

Guiding principles are provided to all staff so that they are aware of and can follow the Company's Code of Conduct ("Code") in performing their duties. Topics covered by the code include:

- (i) prevention of bribery;
- (ii) protection of customers' personal information;
- (iii) use of business information;
- (iv) handling of gifts/advantages offered to staff by customers, business partners and other persons;
- (v) responsibilities to the shareholders and customers;
- (vi) compliance with relevant rules and regulatory requirements and also the Company's internal regulations;
- (vii) avoidance of conflict of interest; and
- (viii) requirements for lending to connected parties.

Internal Audit

The internal audit function provides assurance to the Management regarding the soundness of our internal control systems. Members of the internal audit function are employed by the Company's ultimate holding company and they have direct reporting lines to the Board and our shareholders so that its independence and prompt and direct reporting of its findings can be enhanced.

External Auditor

The Board of Directors is responsible for the appointment, re-appointment and fixing the remuneration of the external auditor. Our external auditor plays an important role in our corporate governance structure by providing the Board with an independent opinion on the adequacy and effectiveness of our financial reporting, including the reasonableness of the judgments, estimates and presentation used in the financial statements. The external auditor also draws the attention of the Board to other significant matters identified during the course of the audit work and provides recommendations for improvement as appropriate.